

SYLLABUS

Econ 100 (03)
Macroeconomics

American University
Fall Semester 2001
(ver:2)

Instructor: **Dr. Ronald E. Müller**, Professor of Economics

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COURSE OBJECTIVES & SCOPE:

- **To enjoy developing the ability to learn, analyze and evaluate monetary, fiscal and international policy as practiced by the leading agents of globalization: national governments, multilateral agencies (e.g., IMF, WTO, etc.) and global corporations; in turn**
- **To evaluate the use of these policy tools in emerging market economies, economies in transition and developed nations; in turn**
- **To understand how these policy tools are derived from macroeconomic theory through the use of a proven, non-mathematical learning method...that's also fun(!) and thereby**
- **To understand the impacts of globalization on policy successes and failures in dealing with nation-state issues of national growth, poverty and income & wealth distribution, the environment and macroeconomic stability; and finally**
- **To understand the limitations of economic theory for development and application of policy. In this regard, I thank Professor Blecker for recalling the words of the British economist, Joan Robinson:**

The purpose of studying economics is not to acquire a set of ready made answers to economic questions, but to learn how to avoid being deceived by economists.

COURSE REQUIREMENTS

- Mid-term examinations, two
- Final examination, one
- Four Quizzes (select best three)
- Class participation; the Socratic Learning Method is emphasized. Students, over the years, have voted it as the best and most enjoyable way to learn economics.
- Weekly Reading Assignments: the list shown are required but may be supplemented the week prior to the class.
- The final grade is a weighted average of the above requirements. Specific percentages, i.e., each mid-term is 20%, the final 35%, and quizzes & class participation 25%, including use of short, group discussion assignments.

TEXTBOOKS (SEE ALSO OPTIONAL TEXTS** BELOW)

- D. C. Colander, *Macroeconomics* (McGraw Hill, 2001, 4th Edition). ["DCC"]
- R. L. Heilbroner, *The Worldly Philosophers*, (Simon & Schuster: 1992, 6th Edition) ["RLH"]
- R. H. Hahnel, *Panic Rules! Everything You Need to Know about the Global Economy*, (South End, 1999) [RHH]

OTHER REQUIRED READING ASSIGNMENTS

- Daily: *New York Times*, or *Wall Street Journal*, *Washington Post*, *Financial Times*, and/or *Barons*.
- Weekly: *Business Week*, or *Financial World*, and /or *The Economist*, .

- Monthly: *Euromoney* or *Fortune* or *Forbes* and/or equivalents.

GENERAL EDUCATION REQUIREMENTS

This Course is a curricular area 4 (Social Institutions and Behavior) foundation course. If you are taking this course for Gen Ed credit, any of the following courses will fulfill your requirement as the second-level course:

- AMST-240G Poverty and Culture
- ECON-200G Microeconomics
- Fin-200G Personal Finance and Financial Institutions
- GOVT-210G Political Power and American Public Policy
- SOCY-210G Inequality: Class, Race, Ethnicity
- SOCY-220G Work and Leisure in America

ACADEMIC INTEGRITY

Standards of academic conduct are set forth in the University's Academic Integrity Code. By registering you have acknowledged your awareness of the Academic Integrity Code. You should become familiar with your rights and responsibilities as defined by the Code. Violations of the Academic Integrity Code will not be treated lightly, and disciplinary actions will be taken should such violations occur. Please see me if you have any questions about the academic violations described in the Code in general or as they relate to particular requirements for this course.

OPTIONAL TEXTS** / *On Reserves (R)*

- **Appleyard, D.R. & Fields, International Economics (Irwin/McGraw, 2000, 4th. ed.).
- **Schiller, Bradley The Macro Economy Today (McGraw Hill, 1999).
- **R.L. Heilbroner & W. Milberg, Making of Economic Society (Prentice Hall, 2002)

BIBLIOGRAPHY —Made Available for Students Interested in Globalization/ ** indicates on Reserves (R)

- American Economics Association, Reading in International Economics (R.D. Irwin, 1968), on reserve in A.U.
- **Barnett, R.D. & Muller, R.E., Global Reach: The Power of the Multinational Corporations (Simon & Schuster, 1980), out of print, on reserve in A.U. library.
- Belous S. Richard, Rebecca S. Hartley & Kelly L. McClenahan, European and American Labor Markets: Different Models and Different Results (National Planning Association, 1992), on reserve at A.U. library.
- **Bhagwati, J., *et.al.* "The Capital Myth" and "Can Asia Recover?," *Foreign Affairs*, (May/June 1998)
- Bhagwati, Jagdish, International Trade (Readings)(Penguin Books, 1969), on reserve in A.U. library.
- Blanchard, Olivier et al, Spanish Unemployment: Is There a Solution? (Center for Economic Policy Research, London, 1995).
- **Bluestone, B. & Harrison, B. Growing Prosperity: The Battle for Growth with Equity in the 21st Century, (U.of Ca. Press, 2000)
- **Boyer, R. & Drache, Dr. eds., States Against Markets (London: Routledge, 1996). **R**
- Burki, S.J., and Edwards, S., "Latin America After Mexico: Quickening the Pace," (World Bank monograph, June 1995)
- Dornbush, Rudy Euro Fantasies (*Foreign Affairs*, September/October 1996), on reserve at A.U. library.
- Edwards, Sebastian, The Mexican Debt Crisis of 1994-95 (World Bank: 1996). **R**
- **Emmerson, D. K. "Americanizing Asia ? " *Foreign Affairs* (May/June 1998) **R**

- “For Richer or Poorer: Globalization and the Developing World,” Washington Post, 4 Part Series (Dec. 29-Jan. 1, 1996/97) ; World Wide Web site at <http://www.washingtonpost.com>
- **Gordan, Bernard K “The Natural Market Fallacy,” *Foreign Affairs* (May/June 1998) **R**
- **Haass, R. & Litan, R. “Globalization & Its Discontents,” *Foreign Affairs* (May/June 1998) **R**
- **Hirst, Paul and Grahame Thompson, Globalization in Question, (Cambridge, UK: Polity Press,1996), on reserve
- Hugh, Compston et all, The New Politics of Unemployment: Radical Policy Initiatives in Western Europe (European Political Science Series, Routledge, 1997), on reserve in A.U. library.
- Kapstein, Ethan B. “Workers and the World Economy” (*Foreign Affairs*, May/June 1996), **R**.
- Kraft, Joseph, The Mexican Rescue (NY: Group of 30, 1984), 64 pages **R**
- Krugman, Paul, “Competitiveness, a Dangerous Obsession,” *Foreign Affairs*, vol. 73, no. 2, Mar/Apr, 1994
- **Krugman, Paul, “America the Boastful,” *Foreign Affairs* (May/June 1998) **R**
- Krugman, Paul, “Saving Asia: It’s Time to Get Radical,” *Fortune* (September 7, 1998)
- Leys, Colin, The World Society & the Individual (Southern Africa Report, Toronto, 1996), on reserve at A.U.
- **Lincoln, Edward J., “Japan’s Financial Mess,” *Foreign Affairs* (May/June 1998) **R**
- **Muller R.E. & Barnett, R.D. Global Reach: The Power of the Multinational Corporations (NY: Simon & Schuster, 1980)
- **Muller, R.E., The Relationship between Foreign Trade & Economic Growth, Ph.D. Dissertation, The American University, 1970. On reserve at Media Center.
- **Muller, R.E. Revitalizing America (Simon & Schuster, 1980), out of print, on reserve in A.U. library.
- **Muller, R.E. “U.S. National Security, the Global Environment & Poverty in Emerging Markets” in The Convergence of U.S. National Security & the Global Environment, 1st Conference, Aspen Institute, November 1996. On reserve at A.U. library.
- **Myrdal, Gunner, Rich Lands & Poor, the Road to World Prosperity (Harper, 1958), on reserve in A.U. library.
- **Ohmae, Kenichi, The End of the Nation-State: The Rise of Regional Economies (Harper Collins, 1995) on reserve
- P. D. Whitney, “Economics of Modern Latin America: Books to Explain the New Policies and Bury the Past,” *Journal of Interamerican Studies*, vol.39, no.2 (Summer 1997)
- P. D. Whitney, “NAFTA and Hemispheric Integration,” *Lecture*, University of Buenos Aires, 1995
- P. D. Whitney, “New Thinking on Free Market Reforms in Latin America,” *Faculty Forum*, May 1997
- Report on the Kreisky Commission on Employment Issues in Europe: A Program for Full Employment in the 1990s (Pergamon Press, 1989), on reserve in A.U. library.
- **Soros , George “Can Europe Work? A Plan to Rescue the Union” *Foreign Affairs* (May/June 1996) **R**
- Stern, Robert M. and Maskus, Keith E., "Determinants of the Structure of U.S. Foreign Trade, 1958-76," *JIE* 11, no. 2 (May 1981), pages 207-224
- **Vernon, R. G. “The Product Life Cycle Theory in a New International Environment,” *Bulletin of Economics & Statistics*, no. 41(Nov. 1979), pages 255-267 **[on reserves in course packet #3, call # 4797]**
- **Vernon, Raymond G., "International Investment and International Trade in the Product Cycle," *Quarterly Journal of Economics* 80, no. 2 (May 1966), pages 190-207 **[on reserves, course packet #3, call # 4797]**

- Wachtel, H. M. The Money Mandarins: The Making of a New Supranational Economic Order, rev.ed. (NY: M.E. Sharpe, 1990)
- **Went, Robert Globalization: Neo-Liberal Challenge, Radical Response, (VA: Pluto Press, 2000)
- **World Bank, Entering the 21st Century: Development Report: 1999/2000 (Washington, DC Fall 1999)
- **Zuckerman, Mortimer B. "A Second American Century," *Foreign Affairs* (May/June 1998) **R**

ADDITIONAL BIBLIOGRAPHY [indicates on Reserve [R]]: added Fall/Summer 2000-1**

"Asian Economic Crisis, Understanding the," Washington Post, 1/18/98, p.A32 (World Wide Web Site at <http://www.washingtonpost.com>)

Belous, S. R., R. S. Hartley and K. L. McClenahan European and American Labor Markets: Different Models and Different Results, (National Planning Association Report, 1992).

Boycko, M., A. Schleifer and R. W. Vishny "Second-Best Economic Policy for a Divided Government," *European Economic Review*, V. 40, 1996.

**Business Week: "America's Future: The Boom; The Bust: now What?-Special Issue," (Aug. 20-27, 2001)

Cardoso, E. and A. Helwege "From Import Substitution to Trade Liberalization," in Latin America's Economy: Diversity, Trends and Conflicts, Ch. 4, MIT Press: 1992 (ppbk:1995)

Chossudovsky, M. The Globalization of Poverty: Impacts of IMF and World Bank Reforms (Zed Books, Ltd., London, 1997).

Duff & Phelps, "Credit Rating Analysis of Brazil," (Chicago, Ill: Mid-October 1997)

Haaland, J.L. "Comparative Advantage, Terms of Trade & Welfare Effects of European Integration: Preliminary Assessment," Scandinavian Journal of Economics, v.94(3): 1992, pp. 373-391

**IMF World Economic Outlook: Globalization, Opportunities and Challenges (Washington D.C., May 2000).

Keppler, S. "Entry, Exit, Growth, and Innovation over the Product Life Cycle," *Amer.Econ.Review*, June 1996.

King, R. and M. Naim Hemispheric Economic Integration: Big Bang, Gradual Evolution or Fading Hope? (Paper Presented at Latin America 2010 Seminar, September 1996).

Lindbeck, A. "The West European Employment Problem," *Weltwirtschaftliches*, Vol 132(4), Arch. 1996.

"Markets Go Global: World Economy Survey," Economist (October 20, 1997) pp. 23ff.

"The Maastricht Agreement," Internal Memorandum of the European Commission on the Working of the Treaty, Brussel, 1992.

"Miracle of Trade: Schools Brief," Economist (January 27, 1996) pp.61-62 **[on reserves, course packet #3, call # 4797]

Moi se, D “The Trouble with France,” *Foreign Affairs* (May/June, 1998)

Morris, L. “Globalization, Migration and the Nation-State: The Path to a Post-National Europe?” *British Journal of Sociology*, June 1997.

Schweigert, T. “Penny Capitalism: Efficient but Poor or Inefficient and (Less Than) Second Best?” *World Development*, Vol. 22(5), 1994.

Smulders, G. W., M. A. Kompier and P. Paoli “The Work Environment in the Twelve EU-Countries: Differences and Similarities.” *Human Relations*, Vol. 49(10), 1996.

Study on the Operation and Effects of the NAFTA Agreement (Office of President/United States, July 1997).

Swanson, P.E. “Trading Blocs: Bane or Blessing?” *Multinational Business Review*, Fall 1996.

“...U.S. Economy Mostly Unshaken by Asian Crisis,” Washington Post, 1/18/98, pp. A1,A33 (&WW Web).

Waters, M. Globalization (Routledge, London, 1995).

Whitney, P. D. Prospects for Hemispheric Integration in Light of Recent Financial Turbulence (Paper Presented at Council of Professionals in Economic Science, Buenos Aires, March 23, 1995).

Traditionally, unforeseen problems seem to arise during the Semester regarding the reserve books, i.e., books disappear from the library or individualistic students check the books out for extended periods. To solve these potential problems, students are asked to be considerate of their peers, **PLEASE do not hoard reserved books**. Also, many of the "out of print" and "reserve" books can be found in the Washington-area public libraries and from other area Universities: checking a book out from one of these other libraries is encouraged and expected of college students.

ASSIGNMENTS

Part I: Definitions, Basic Concepts & History

Week 1 *Economic Reasoning, Tools & Institutions*

1. Review of Syllabus and Course Objectives
2. Class Learning and the Socratic Teaching Methodology
3. The Method and Theory of Economics as a Social Science: Theory Construction and Hypotheses Development & Testing; Positive and Normative Distinctions (see Handout, on **R #4778**)
 4. A Note on Political Economy: The Role of Theory in the Making of Policy (see Handout, on **R**)
5. Background on Students & Professor (see Handouts, ON **R #4778**)
6. DCC, Ch. 1 (incl. Appdx A)
7. RLH, Preface & Chs. I & II
8. RHH, Foreword, Intro & ch 1: “The Bloom off the Boom...”
9. Business Week: “America’s Future: The Boom; The Bust: now What? (Aug. 20-27, 2001, on **R**)

Week 2: *Economic Society & Economic Systems: National Governments and Global Corporations*

1. DCC Chs. 2 & 3 (incl. each Appendix A): Capitalism, Socialism & Production Possibility Curves
2. RLH Ch. III + pp. 203-212
3. RHH Ch. 3, pp.27-32 “The Latest Bust: The Facts”
4. Handout: “ Social Science Theory & Methodology
5. “*Miracle of Trade: Schools Brief..& Comparative Advantage,*” Economist (Jan. 27 '96) pp.61-62;**R #4797**
6. Additional Discussion Topic: The “New” vs. “Old” Economy: How Different?

Week 3: *Supply, Demand & Equilibrium: “ Movements, Shifts, Elasticities & all those Things!”*

1. DCC Chs. 4 & 5: The Role of Government
2. RLH Ch. IV + review Ch. IIIh
3. Additional Discussion Topic: Global Poverty
4. QUIZ # 1

Week 4: *Business Cycles & Stability in Growth, Employment and Prices: Short Vs. Long Term Perspectives*

1. DCC Ch. 6
2. RLH Ch. 6
3. Zuckerman, M. “A 2nd American Century,” Foreign Affairs (FA) M/June '98, on **R #4796 or 3033**
4. Krugman, P. “America the Boastful,” FA, *ibid.*

Week 5: *Stability & National Income Accounting*

1. DCC Chs. 6 & 7
2. RLH CH. 9

Week 6: Review & First Mid Term

Part II: Macroeconomic Fundamentals...Thinking Macro

Week 7: *Short Run Aggregate Demand & Supply: The Keynesian Revolution—“ In the Long Run We’re All Dead”*

1. DCC Ch. 9 “Focus on Short Term Stabilizations”
2. RLH Ch. 9 “The Heresies of J. M. Keynes”
3. QUIZ #2

Week 8: *The Multiplier & Short Run Equilibrium in Employment and Income*

1. DCC Ch. 10
2. RLH CH. 9 review

Week 9: *Short Run Stabilization: Monetary & Fiscal Policy... Some Further Details*

1. DCC, Ch. 11, Demand Management via Fiscal Policy
2. DCC, Ch. 14, Aggregate Demand, Supply & Monetary Policy
3. QUIZ #3

Week 10: *Short Tem Stability via Monetary & Fiscal Policy: Some Further Details*

1. DCC Ch. 12, Politics of Fiscal Policy: Surplus, Deficits & Debt
2. DCC Ch. 13, The Guts of Monetary Policy: Money, Banking & Finance
3. DCC Ch. 15, Inflation Vs. Unemployment & Growth
4. Haas & Litan, “Globalization & Its Discontents, FA, M/June’98 (**R #4796 or 3033**)

Week 11: Review & Second Mid Term

Part III: Globalization: Essentials & the Pro’s & Con’s

Week 12: *Long Run Growth & The Wealth of Nations*

1. DCC Ch. 8
2. RLH pp.178-205(George & Hobson) & Ch. X (Schumpeter)
3. RHH Ch. 2, pp. 13-32: “The NeoLiberal Myth”...A Heterodox’ View
4. R. Muller, Revitalizing America: Chs. 1-3

5. Bluestone & Harrison, Growing Prosperity: Battle for Growth with Equity in 21st Century, Chs. 1-2
6. Discussion Topic: When will Growth Resume & Under which Model, Main Street's or Wall Street's?

Week 13: *Globalization & Macroeconomics: -the Essentials*

1. DCC Ch. 16 Macroeconomic Stabilization Tools, Balance of Payments & Exchange Rate Policy
2. DCC Ch. 17 National Monetary & Fiscal Policy Vs. Globalization
3. RLH Ch. XI
4. R.L. Heilbroner & W. Milberg, "Globalization of Economic Life," Ch.12 in their Making of Economic Society (Prentice hall, 2002) -----On Reserve **R**

Week 14: *Globalization: Definitions & Views*

1. Barnet & Muller, Global Reach: Chs. 1-8 (On Reserve): Once Started, Never Stopped...An Early View
2. RHH Chs 4-5 and review1-3: A Critical View
3. "Globalization under Fire," in Went, R. chapter 5; on **R**
4. Foreign Affairs (Articles of the May-June '98 issue-On Reserve): A Positive View
5. Heilbroner & Milberg, "Why Some Nations Remain Poor," Ch. 13, ibid. On Reserve **R**
6. QUIZ #4

Week 15: Review & FINAL EXAMINATION

abbreviations	

- Attachments**
- A Note on Political Economy
 - The Method and Theory of Economics as a Social Science
 - Dr. Ronald E. Muller, Biographical Sketch (this is provided since many students request background information on the professional experiences of their professors)

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